

## Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 AGRE-00 CIAE-00 COME-00  
INR-10 LAB-04 NSAE-00 SP-02 STR-07 TRSE-00 FRB-03  
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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 3525

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: EPAP, ETRD, IN, US

SUBJECT: TEXTILE CONSULTATIONS

1. EMBOFF DISCUSSED UPCOMING INDIA-US TEXTILE CONSULTATIONS IN WASHINGTON WITH MINISTRY OF COMMERCE JOINT SECRETARY DAS. DAS NOTED THE IMPORTANCE OF THE PROBLEM OF THE 14 MILLION SYE OF HANDLOOMS WRONGLY CLASSIFIED AS MILLMADE APPAREL, AND HOPED THAT AN AGREEMENT COULD BE REACHED DURING THE CONSULTATIONS. HIS IDEA OF AN EQUITABLE SOLUTION WAS FOR THE USG TO RECOGNIZE THE ERROR AND GRANT A ONE TIME 14 MILLION SYE INCREASE IN THE GROUP II QUOTA.

2. DAS THOUGHT THAT THE MORE SERIOUS PROBLEM LAY IN THE FOUR SENSITIVE CATEGORIES OF HANDLOOM/MILLMADE APPAREL. HE SAID THAT OVER ONE HALF OF THESE SHIPMENTS WERE HANDLOOM ITEMS, AND NOTED THAT THE GOI HAS ASKED FOR INCREASES IN CONSULTATION LEVELS OF THESE FOUR CATEGORIES "JUST FOR THIS YEAR". THE GOI HAS ASKED FOR THE BIGGEST INCREASE (50 PERCENT) IN THE LARGEST (2 MILLION DOZEN UNITS) AND MOST IMPORTANT CATEGORY (BLOUSES - 341). DAS POINTED OUT THAT THERE WAS NO

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PROVISION FOR ANY ANNUAL INCREASE IN THESE FOUR CONSULTATION LEVELS, AN ANOMOLY THAT SHOULD BE RECTIFIED. ALTHOUGH HE SAID THAT THE GOI WOULD CONSIDER CAREFULLY OUR REQUEST TO FORMALLY INCLUDE HANDLOOMS UNDER THE AGREEMENT, HE NOTED PAST INDIAN PROBLEMS WITH SUCH AN ARRANGEMENTS.

3. DAS SAID THAT THE PRESENT STOPPAGE OF HANDLOOM AND MILL-

MADE GARMENT EXPORTS TO THE U.S. WAS CAUSING SERIOUS HARDSHIP TO PARTICULAR FIRMS. WHILE TEXTILE EXPORTS ACCOUNTED FOR ONLY ABOUT 14 PERCENT OF TOTAL INDIAN TEXTILE PRODUCTION:7 049\$7:589, 9\* :345-8, &-4.3,5 (E.G. BLOUSES) AND HANDLOOM FABRIC WAS ALMOST ALL FOR EXPORT. IN ADDITION, EXPORTS DESTINED FOR THE U.S. MARKET COULD NOT BE SHIFTED TO OTHER MARKETS, SUCH AS THE EC, BECAUSE OF DIFFERING FASHIONS.

4. DAS SAID THAT THE GOI WOULD BE SENDING A TEAM FOR THE SEPTEMBER 5-8 CONSULTATIONS BUT THAT ITS EXACT COMPOSITION HAD NOT YET BEEN DECIDED (ALTHOUGH HE PROBABLY WOULD BE A MEMBER OF THE TEAM).

5. COMMENT: THE IMPORTANCE OF THIS TEXTILE PROBLEM HAS BEEN UNDERLINED BY PRIME MINISTER DESAI IN HIS RECENT TALKS WITH THE PRESIDENT, AND BY THE CORRESPONDENCE INITIATED BY MINISTER OF COMMERCE DHARIA. INDIA'S POLITICAL LEADERSHIP IS ESPECIALLY SENSITIVE TO THE TEXTILE INDUSTRY HERE. AS IS TRUE ELSEWHERE, THE INDUSTRY IS A MAJOR EMPLOYER. THERE ARE APPROXIMATELY 11 MILLION INDIAN TEXTILE WORKERS, MOSTLY IN THE VERY LABOR-INTENSIVE HANDLOOM AND POWERLOOM SECTORS. COTTON TEXTILES ACCOUNT FOR ALMOST 12 PERCENT OF INDUSTRIAL OUTPUT. IN 1977-78 TEXTILE EXPORTS AMOUNTED TO APPROXIMATELY \$570 MILLION, ALMOST TEN PERCENT OF TOTAL INDIAN EXPORTS.

6. THE TEXTILE INDUSTRY, AND MOST PARTICULARLY THE HAND-LIMITED OFFICIAL USE

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LOOM SECTOR, HAS A SPECIAL SIGNIFICANCE TO INDIAN POLITICIANS. HANDLOOMS ARE A POTENT SYMBOL BECAUSE OF GANDHI'S EMPHASIS ON HAND-SPUN CLOTH AND LOCAL SELF-RELIANCE. THE JANATA GOVERNMENT HAS PLACED HIGH PRIORITY ON THE SMALL SCALE SECTOR, INCLUDING HANDLOOMS, IN ITS 1978-83 DEVELOPMENT PLAN AS A MEANS OF GENERATING MORE EMPLOYMENT. IN ITS RECENT TEXTILE POLICY ANNOUNCEMENT THE GOI CLEARLY INDICATED THAT IT INTENDS TO EXPAND HANDLOOM PRODUCTION BY RESERVING MOST NEW ADDITIONAL CAPACITY TO THE HANDLOOM SECTOR.

7. IN ADDITION, THE DEPARTMENT WILL RECALL THE PROBLEMS INDIA HAD WITH THE EC, AND WITH OTHER LDCS, WHEN INDIA RELUCTANTLY AGREED SEVERAL YEARS AGO TO INCLUDE HANDLOOMS IN THE AGREEMENT WITH THE U.S. THAT DEVELOPMENT CAME ABOUT AS THE PRICE THE GOI WAS REQUIRED TO PAY FOR EXCEEDING ITS QUOTA, BUT IT RESULTED IN A CONTINUOUS IRRITANT IN OUR BILATERAL RELATIONSHIP UNTIL IT WAS REMOVED.  
GOHEEN

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TEXTILES, TRADE, NEGOTIATIONS  
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